

**Statement**

**On Behalf of the**

**Building Owners and Managers Association (BOMA)**  
**International**

**Committee on Ways and Means**

**Tax Reform Working Group on Energy**

**April 2013**

On behalf of the Building Owners and Managers Association (BOMA) International, I want to inform you of our full support of your efforts to reform our nation's tax code. As you are aware, the commercial real estate industry is a major contributor to the U.S. economy and we are hopeful that you will be mindful of this as you proceed with comprehensive tax reform. Outlined below are our recommendations as you consider changes to the tax code that impact both the overall economy and the commercial real estate industry as they relate to energy efficiency.

BOMA International is a federation of 93 BOMA U.S. associations, BOMA Canada and its 11 regional associations and 13 BOMA international affiliates. Founded in 1907, BOMA represents the owners and managers of all commercial property types, including nearly 10 billion square feet of U.S. office space that supports 3.7 million jobs and contributes \$205 billion to the U.S. GDP. Its mission is to advance the interests of the entire commercial real estate industry through advocacy, education, research, standards and information.

## **1. 179D Tax Deduction**

Implemented in 2005, the Energy Policy Act included a tax deduction aimed at incentivizing commercial buildings to install energy efficient upgrades commonly referred to as 179D. The law was subsequently extended and now applies to energy efficiency upgrades placed in service from January 1, 2006 – December 31, 2013 in both new and existing buildings. Specifically, buildings are provided an accelerated deduction of up to \$1.80 per square foot for energy efficient upgrades that achieve a 50 percent reduction in annual energy cost to the user, compared to a base building defined by the ASHRAE/IESNA 90.1-2001 Standard. The policy provides for partial deduction as well. While BOMA International supports the 179D tax deduction, very few buildings have been able to take advantage of this incentive. Legislation that would extend and improve the usefulness of 179D was introduced last fall in the Senate (S. 3591). S. 3591 garnered widespread support from real estate, industry, manufacturing, and contracting stakeholders and we encourage the Committee to consider the principles as outlined in the bill, which include:

- Increasing the amount of the maximum deduction to \$4.00 per square foot;
- Utilizing a sliding scale which allows greater deduction amounts as correlated to higher levels of energy savings and performance;
- Measuring energy savings and improvements by reference to the existing building's own consumption baseline;
- Making the tax incentive useable for a broader range of real estate owners and other stakeholders.

## **2. Roof Depreciation**

Another part of the tax code that should be reformed to more closely reflect the reality of the industry as it related to energy efficiency is the depreciation of commercial building roofs. Under the current tax code, building owners depreciate roofs on a 39-year schedule, the same schedule currently used to depreciate the life of the building itself. Because the average life of a commercial roof is just under 20 years, the 39-year depreciation schedule for commercial roofs

makes little business or environmental sense. Permitting the depreciation of roofs on a shorter, more realistic schedule would encourage building owners to incur the added expense of replacing older, less efficient roofs. With this added incentive to replace nonperforming roofs, building owners will help protect the integrity of the entire structure, increase the structure's energy efficiency, and add to the economy as a whole by spurring activity within the construction industry.

We appreciate this opportunity to provide BOMA International's priorities for comprehensive tax reform and hope you will take these important matters into account as they impact the commercial real estate industry, energy tax policy and overall economy. Should you have questions, please contact Karen Penafiel, BOMA International's Vice President for Advocacy, Codes & Standards, at [REDACTED] or [REDACTED]